



To: City, Town, Special Purpose District and Regional School District Treasurers

From: Gerard D. Perry, Director of Accounts

Date: July, 2014

This letter sets forth the Treasurers' annual reporting requirements to the Bureau of Accounts and includes other matters. The letter is divided into two parts; Part I includes information that is new or modified from last year's letter and Part II includes continued reminders from last year's letter.

I. New this year

Monthly State Aid Distribution and Use of Additional Funds - For FY2015, the Municipal Data Management/Technical Assistance Bureau will distribute certain Cherry Sheet aid monthly as in FY2014. Further details of the FY2015 distribution process are expected to be released in the near future similar to those issued in IGR 13-301 for FY2014.

Report Summaries - Included within the Treasurer's submitted reports below is a dollar summary of the information received and accepted by the Bureau for FY2013.

Gateway Reports - The Treasurer's Year-End Cash Report, Statement of Indebtedness, and Schedule of Outstanding Receivables are now available to special purpose and regional school districts on Gateway.

II. Continued Reminders from last year's letter

- Chapter 165 of 2012, §§ 116 and 136 amends G.L. c. 58, § 18C to require that certain local aid distributions, including Unrestricted General Government Aid, Chapter 70 and State-Owned Land reimbursements, be paid on a monthly basis rather than quarterly or annually. This change was effective beginning in FY2014.
- Chapter 448 of 2012, § 4 adds Clause 25 to G.L. c. 44, § 8, to allow municipalities to borrow outside their debt limits for up to 40 years to acquire, remove, repair, reconstruct or improve dams, and appurtenant real property they own.
- Bulletin [2013-01B](#), which supersedes prior Bulletins on the matter, explains the application of premiums received in connection with the sale of bonds or notes that are subject to an approved Proposition 2½ debt exclusion generally and announces an alternative method for applying them.
- As with the Treasurer's Year-End Report and the Statement of Indebtedness, please use the Gateway system for the Outstanding Receivables report.

- Special purpose districts which do not submit a Tax Rate Recap will now be required to submit at a minimum a balance sheet as of June 30, 2013 or FY2013 audit in electronic format prior to certification of any State House Notes during FY15.

Treasurer's Year-End Cash Report (formerly the Treasurer's Quarterly Cash Report)

The Treasurer's Year-End Cash Report as of June 30, 2014 must be completed by September 30, 2014 or upon submission of a balance sheet for FY2015 free cash/excess & deficiency certification, whichever is earlier. Cities, towns and districts must submit this report on Gateway.

Although the Quarterly Cash Report has been replaced, the Treasurer's and Accountant's records should be reconciled monthly during the year.

On Gateway, the Report is found under Miscellaneous Forms, Treasurer's Year-End Cash Report. The Report Summary will appear. First, enter Total Cash and Investments where indicated. Next, either upload or scan in the Report. For the Treasurer, check-off only where indicated; do not check-off for the Accountant unless your community has not adopted G.L. c. 41, § 55. For the Accountant, check-off only where indicated or complete Part III of the Report if there is a variance. Finally, Submit the Report. If you have any problems with this submission, please contact Gerry Cole at 617-626-4110 or by E-mail to coleg@dor.state.ma.us.

The FY2013 Treasurer's Year-End Cash Report totaled Cash and Investments for all cities and towns at almost \$11 billion. This total increased by \$765 million or 7.5% from FY2012. The total included Liquid Investments at \$6.4 billion, Trust Funds at almost \$2 billion, Interest-Bearing Checking Accounts at \$1.5 billion and Term Investments at \$785 million.

Statement of Indebtedness

This statement as of June 30, 2014 must be completed and returned to the Bureau by September 30, 2014 or upon submission of a balance sheet for FY2015 free cash/excess & deficiency certification, whichever is earlier. Cities, towns and districts must submit this report on Gateway. The statement summary screen is found there under Miscellaneous Forms, Statement of Indebtedness. If you have any problems with submission on Gateway, please contact Gerry Cole at the telephone number or E-Mail address shown above.

The FY2013 Statement of Indebtedness totaled Long and Short Term Debt for 344 of 351 cities and towns reporting at \$14.2 billion. This total increased by \$71 million or .5% from FY2012. Authorized and Unissued Debt of almost \$6.7 billion increased by \$113.8 million or 1.7% from FY2012.

Emergency Borrowing

The maximum period of borrowing for emergency expenses has been increased.

In August 2011, the Division of Local Services issued Bulletin 2011-12B which summarized the options available to address emergency needs. One of the options was to borrow under G.L. c. 44, § 8(9) for a period of not more than two years as determined by the Director of Accounts for emergency related expenses.

In February 2012, G.L. c. 44, § 8(9) was amended allowing for borrowing for emergency related expenses for a period not to exceed ten years as determined by the Director of Accounts.

Request for Debt Exclusion Information

To forestall any delay in setting the FY2015 tax rate, the Bureau requests that Treasurers in communities with debt exclusions and premiums complete and return this worksheet to your Bureau of Accounts field representative as soon as possible. Please include debt schedules or any other relevant information that supports this request.

G.L. chapter 44, § 20 as amended by chapter 46, § 33 of the Acts of 2003 and chapter 139 of the Acts of 2006, restricts a community's debt exclusion to the true interest cost incurred to finance the excluded project. Premiums received at the time of sale must be offset against the stated interest cost in computing the debt exclusion amount. See [Bulletin 2013-01B](#) for the alternative application of premiums to project costs.

For Regional School District Treasurers, any bond or bond anticipation note premium that will not be returned to the member communities because of debt exclusion votes taken by the members, must be closed to the district's General Fund on June 30. Per G.L. chapter 44, § 20, the Bureau must then reduce the members' debt exclusions by the amount that represents their proportionate share of the premium kept by the district through maturity of the debt. Otherwise, the premium must be reserved and returned to district members by no later than June 30. The return of premium may be either by a reduction to the capital assessment or by separate check.

If you have any questions regarding the completion of the worksheet, please contact your Bureau of Accounts field representative.

Schedule of Outstanding Receivables

This schedule as of June 30, 2014 must be completed by a city, town or special purpose district Treasurer and returned to the Accountant/Auditor who will forward it with additional documentation for free cash certification to the Bureau.

This schedule compares the detailed listings of the Collector, Treasurer or department head with the balance of certain outstanding receivables of the Accountant/Auditor.

On Gateway, the schedule is found under Miscellaneous Forms, Outstanding Receivables. If you have any problems with submission on Gateway, please contact Gerry Cole at the telephone number or E-Mail address shown above.

The FY2013 Outstanding Receivables Report for property and excise taxes only totaled just over \$1 billion. This was an increase of \$33.9 million or 3.4% from FY2012. Property taxes represented \$827.7 million of the total which increased by \$15.1 million or 1.9% from FY2012; excise taxes represented \$213 million of the total which increased by \$18.8 million or 9.7% from FY2012.

This schedule does not apply to regional school districts.

State House Note Program

In connection with the state house note certification process, we emphasize the necessity for timely submission of notes and supporting documentation. This enables us to properly schedule the necessary review and approval activities, especially during the peak borrowing months of December and June. The Bureau strongly suggests that note and supporting documentation submission be at least five business days prior to the issue date. This eliminates the possibility of notes remaining uncertified as of the issue date which would jeopardize receipt of funds.

[State House Note forms](#) can be found on the Bureau of Accounts' website.

The Bureau wishes to remind Treasurers that pursuant to [IGR 10-101](#), the maximum term for borrowing for departmental equipment under G.L. c. 44, § 7(9) is 20 years and is subject to not less than \$5,000 per unit cost.

Special purpose districts which do not submit a Tax Rate Recap will now be required to submit at a minimum a balance sheet as of June 30, 2013 or FY2013 audit in electronic format prior to certification of any State House Notes during FY15.

[Compensating Balance Report](#)

This report as of June 30, 2014 must be completed and returned to the Bureau by September 30, 2014 only if your city, town or district had a compensating balance account in FY2014. Please send to the Bureau a copy of any new agreement for FY2015, even if you do not have to complete the worksheet.

If you have any questions regarding your account, please contact your bank. If you have any questions regarding the completion of the worksheet, please contact Gerry Cole at the telephone number or E-Mail address shown above.

The Compensating Balance Report should be mailed, faxed or e-mailed to:

Public Finance Section
Bureau of Accounts
P.O. Box 9569
Boston, Mass. 02114-9569
Fax: 617-626-3916
E-mail: coleg@dor.state.ma.us.

The FY2013 Compensating Balance Report showed that 12 cities, towns and districts utilized 17 agreements to pay for banking services. Most of the entities reported an excess earnings credit on June 30, 2013.

Fidelity Bonds

To properly guard public funds, a jurisdiction's Treasurer and its Chief Executive Officer must periodically review who is handling these funds and be sure that he/she is bonded either personally or by blanket coverage.

Inter-fund ("Internal") Borrowing Prior To Issuance of Debt

G.L. chapter 44, § 20A allows for inter-fund borrowing prior to issuance of debt to make expenditure for purposes for which the authorized debt will be issued. Inter-fund advances must be repaid during the same fiscal year and there are borrowing restrictions. See [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's approval before inter-fund borrowing and expenditure of funds can occur.

Certification of City/Town and Regional School District Notes and Receipt of Audit Reports

Audit reports for the period ending June 30, 2014 for cities, towns and special purpose districts are required if expenditure of federal funds exceeds \$500,000. Annual audits of regional school districts are required under provisions of G.L. chapter 71, § 16A.

For FY2015, to continue past practice, the Bureau will not certify revenue notes (RANs) of a city, town, special purpose district or regional school district if a required audit for the year ending June 30, 2013 has not been submitted.

Per federal rule, audits must be completed no later than nine months after the end of the fiscal year unless extension is granted by the jurisdiction's federal cognizant agency.

Deficit Capital Projects Fund Balances

Year-end deficit fund balances resulting from anticipated other governmental reimbursements or borrowing authorizations are deducted from free cash (or from retained earnings) unless

funds are borrowed (e.g. BANs, SAANs) by June 30, 2014 that equaled or exceeded the amount of the deficit. Capital projects are analyzed on an individual, not aggregate basis.

Chapter 90 Bond Issue Apportionments

As in prior years, communities are allowed to appropriate these apportionments as available funds. Spending from this appropriation could have a negative impact on free cash if expenditures are not reimbursed by June 30, 2014 unless:

- Borrowing occurs by June 30, 2014 in anticipation of receiving the reimbursement;
- Reimbursement received by September 30, 2014 can be documented;
- A documented request for reimbursement was filed with MassDOT by September 30, 2014 and the Bureau must be satisfied that payment will be made.

If you have any questions with regard to any item found in this letter, please do not hesitate to contact the Bureau.